UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): **July 12, 2016**

UNIVERSAL SECURITY INSTRUMENTS, INC.

(Exact name of registrant as specified in its charter)

Maryland	0-7885	52-0898545
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

11407 Cronhill Drive, Suite A, Owings Mills, Maryland 21117

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: **(410) 363-3000**

Inapplicable

(Former Name or Former Address if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

INFORMATION TO BE INCLUDED IN THE REPORT

Item 1.01. Entry into a Material Definitive Agreement.

On July 12, 2016, the Registrant entered into an Addendum to the Second Amended and Restated Employment Agreement dated as of July 18, 2005 with Harvey B. Grossblatt, President and Chief Executive Officer of the Registrant (the "Addendum"). The Addendum extended the term of Mr. Grossblatt's employment by one year, from July 31, 2016 to July 31, 2017. In addition, the Registrant continued the bonus threshold on which the Executive may earn a bonus for the fiscal year beginning April 1, 2016 at 4% of shareholders' equity as of April 1, 2016.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

The following exhibits are filed herewith:

Exhibit No.	
10.1	Addendum, dated July 12, 2016, to Second Amended and Restated Employment Agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL SECURITY
INSTRUMENTS, INC.

(Registrant)

Date: July 12, 2016 By: /s/ Harvey B. Grossblatt
Harvey B. Grossblatt
President

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2020
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2.8

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2021
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Thereafter
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—

11.6

—

Total

$
13.5

$
10.0

$
25.6

$
—

The amounts presented in the table above primarily consist of fixed fees which are typically recognized ratably as the performance obligation is satisfied or incentive fees which are measured cumulatively over the contractually defined performance period.

Estimates of revenue expected to be recognized in future periods also exclude unexercised customer options to purchase services within the Company's PAS contracts that do not represent material rights to the customer. Customer options that do not represent a material right are only accounted for in accordance with Topic 606 when the customer exercises its option to purchase additional goods or services.

The Company elected certain of the optional exemptions from the disclosure requirement for remaining performance obligations for specific situations in which an entity need not estimate variable consideration to recognize revenue. Accordingly, the Company applies the practical expedient in paragraph 606-10-55-18 to its stand-alone PAS contracts and modular RCM services and does not disclose information about variable consideration from remaining performance obligations for which the Company recognizes revenue. PAS performance obligations are typically short in duration (often less than 1 day) with any uncertainty related to the associated variable consideration resolved as each increment of service (completion of a level of care review or an appeal) is completed which reflects the value the Customer receives from the Company’s fulfillment of the performance obligation. Modular RCM services performance obligations for variable consideration are of short duration with fees corresponding to the value the customer has realized, for example, patient accounts collected on behalf of the Customer or medical record lines transcribed.
The Company also applies the guidance in paragraph 606-10-50-14A(b) to variable consideration within its end-to-end RCM contracts and does not disclose information about remaining, wholly unsatisfied performance obligations for variable consideration that the Company is able to allocate to one or more, but not-all, of the performance obligations in its contracts in accordance with paragraph 606-10-32-40. The Company’s end-to-end RCM services performance obligations are satisfied over time and are substantially the same from period to period under either a co-managed or operating partner model. Fees are variable and consist of net operating fees and incentive fees with the uncertainty related to net operating fees and certain incentive fees being resolved quarterly with the uncertainty of other incentive fees being resolved annually. The information presented in the table above includes estimates for incentive fees where the uncertainty related to the final fee is resolved on longer than a quarterly basis and to the extent the Company does not believe the associated consideration is constrained.
Changes in Accounting Policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

F-18

R1 RCM Inc.
Notes to Consolidated Financial Statements

The Company adopted Topic 606 with a date of the initial application of January 1, 2017. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

The Company adopted Topic 606, effective January 1, 2017, using the modified retrospective method, applying Topic 606 to contracts that were not complete as of the date of initial application. Therefore, the comparative information has not been adjusted and continues to be reported under Topic 605. For contracts that were modified before the beginning of the earliest reporting period presented the Company has not retrospectively restated the contract for those modifications in accordance with the contract modification guidance in 606-10-25-12 and 25-13. The Company instead reflected the aggregate effect of those modifications when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligation. The details of the significant changes and quantitative impact of the changes are set out below.

RCM services fees

RCM services fees that are variable in nature were recognized under Topic 605 as revenue once all the criteria for revenue recognition are met, which is generally at the end of a contract or other contractual agreement event. Revenue previously has been recognized for RCM service fees upon the contract reaching the end of its stated term (such that the contract relationship will not continue in its current form) to the extent that cash has been received for invoiced fees and there are no disputes at the conclusion of the term of the contract.

Under Topic 606, the Company recognizes service fees that are variable in nature over time as the service is provided to the customer to the extent that it is probable that a significant reversal of cumulative revenue will not occur once the uncertainty related to the estimated revenue is subsequently resolved. Net operating fees are typically recognized on a quarterly basis as the RCM services are rendered and measurement of the net operating fees earned during the distinct performance period is objectively determinable. Incentive fees are calculated quarterly based upon contractually defined agreed-upon performance metrics and are recognized as revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur once any uncertainty related to the estimated revenue is subsequently resolved.

Fixed fees are generally recognized over the term of the contract on a ratable basis as the performance obligation is satisfied.

Other services fees

The PAS contract between the Company and customer typically stipulates the price per unit the Company is entitled to for each unit of service performed. Certain contracts include minimum fees and volume discounts but the Company does not know the quantity or mix of service types the customer will request until the request is made. The length of time it takes the Company to perform each service can vary depending on the nature of the service or complexity of the specific situation or case. Revenue previously had been recognized for PAS service fees when the service was completed.

Under Topic 606, the Company recognizes revenue on a monthly basis when services are completed during the month consistent with recognition under Topic 605.

Deferred contract costs

Eligible, one-time, nonrecurring fulfillment costs associated with the initial phases of the Ascension A&R MPSA and with the transition of additional Ascension hospitals under separate contracts are deferred and subsequently amortized. These costs are amortized on a straight-line basis over the expected period of benefit. Under Topic 606, the Company will continue to amortize associated assets over the remaining life of the contract as services are provided.

R1 RCM Inc.
Notes to Consolidated Financial Statements

Impacts on Financial Statements

The significant affects of adopting Topic 606 are changes to net services revenue, cost of services, accounts receivable, customer liabilities, and income taxes for the period beginning January 1, 2017 for the Company's net operating fees and incentive fees as the Company started recognizing revenue when it satisfies a performance obligation by transferring control over a service to a customer as opposed to when a contract renewal, termination or other contractual agreement event occurs.

The following tables summarize the impacts of adopting Topic 606 on the Company's consolidated financial statements as of and for the year ended months ended December 31, 2017 (in millions):

R1 RCM Inc.
Notes to Consolidated Financial Statements

i. Consolidated balance sheets

	Impact of changes in accounting policies		
	As reported December 31, 2017	Adjustments	Balances without adoption of Topic 606
Assets			
Current assets:			
Cash and cash equivalents	$ 164.9	$ —	$ 164.9
Accounts receivable, net	8.2	(0.7)	7.5
Accounts receivable, net - related party	15.4	(10.7)	4.7
Prepaid income taxes	0.6	—	0.6
Prepaid expenses and other current assets	13.2	(0.2)	13.0
Total current assets	202.3	(11.6)	190.7
Property, equipment and software, net	48.3	—	48.3
Non-current deferred tax assets	70.5	132.6	203.1
Restricted cash equivalents	1.5	—	1.5
Other assets	13.4	0.2	13.6
Total assets	$ 336.0	$ 121.2	$ 457.2
Liabilities			
Current liabilities:			
Accounts payable	7.2	(0.9)	6.3
Current portion of customer liabilities	1.1	41.9	43.0
Current portion of customer liabilities - related party	27.1	0.2	27.3
Accrued compensation and benefits	37.8	—	37.8
Other accrued expenses	16.7	(1.7)	15.0
Total current liabilities	89.9	39.5	129.4
Non-current portion of customer liabilities	—	0.1	0.1
Non-current portion of customer liabilities - related party	11.5	478.8	490.3
Other non-current liabilities	11.9	—	11.9
Total liabilities	$ 113.3	$ 518.4	$ 631.7
8.00% Series A convertible preferred stock	189.3	—	189.3
Stockholders’ equity (deficit)			
Common stock	1.2	—	1.2
Additional paid-in capital	337.9	—	337.9
Accumulated deficit	(244.5)	(397.2)	(641.7)
Accumulated other comprehensive loss	(1.6)	—	(1.6)
Treasury stock	(59.6)	—	(59.6)
Total stockholders’ equity (deficit)	33.4	(397.2)	(363.8)
Total liabilities and stockholders’ equity (deficit)	$ 336.0	$ 121.2	$ 457.2

F-21

R1 RCM Inc.
Notes to Consolidated Financial Statements

ii. Consolidated statements of operations and comprehensive income (loss)

	Impact of changes in accounting policies		
	As reported year ended December 31, 2017	Adjustments	Balances without adoption of Topic 606
Net services revenue	$ 449.8	$ (361.1)	$ 88.7
Operating expenses:			
Cost of services	416.3	(15.2)	401.1
Selling, general and administrative	56.3	—	56.3
Other	4.7	—	4.7
Total operating expenses	477.3	(15.2)	462.1
Income (loss) from operations	(27.5)	(345.9)	(373.4)
Net interest income	0.2	—	0.2
Income (loss) before income tax provision	(27.3)	(345.9)	(373.2)
Income tax provision (benefit)	31.5	(62.1)	(30.6)
Net income (loss)	$ (58.8)	$ (283.8)	$ (342.6)
Consolidated statements of comprehensive income (loss)			
Net income (loss)	$ (58.8)	$ (283.8)	$ (342.6)
Other comprehensive loss:			
Foreign currency translation adjustments	1.2	—	1.2
Comprehensive income (loss)	$ (57.6)	$ (283.8)	$ (341.4)

F-22

R1 RCM Inc.
Notes to Consolidated Financial Statements

iii. Consolidated statements of cash flows

	Impact of changes in accounting policies		
	As reported December 31, 2017	Adjustments	Balances without adoption of Topic 606
Operating activities			
Net income (loss)	$(58.8)	$(283.8)	$(342.6)
Adjustments to reconcile net income (loss) to net cash used in operations:			
Depreciation and amortization	16.3	—	16.3
Share-based compensation	10.7	—	10.7
Loss on disposal	0.2	—	0.2
Allowance for doubtful receivables	0.3	—	0.3
Deferred income taxes	29.7	(62.1)	(32.4)
Reimbursed tenant improvements	—	—	—
Changes in operating assets and liabilities:			—
Accounts receivable and related party accounts receivable	(13.0)	5.9	(7.1)
Restricted cash equivalents	—	—	—
Prepaid income taxes	3.2	—	3.2
Prepaid expenses and other assets	(5.8)	—	(5.8)
Accounts payable	(0.3)	(0.9)	(1.2)
Accrued compensation and benefits	12.9	—	12.9
Other liabilities	1.5	(1.7)	(0.2)
Customer liabilities and customer liabilities - related party	24.0	342.6	366.6
Net cash provided by (used in) operating activities	20.9	—	20.9
Investing activities			
Purchases of property, equipment, and software	(33.6)	—	(33.6)
Proceeds from maturation of short-term investments	—	—	—
Purchase of short-term investments	—	—	—
Net cash used in investing activities	(33.6)	—	(33.6)
Financing activities			
Series A convertible preferred stock and warrant issuance, net of issuance costs	—	—	—
Exercise of vested stock options	0.2	—	0.2
Purchase of treasury stock	(2.5)	—	(2.5)
Shares withheld for taxes	(1.9)	—	(1.9)
Restricted cash release from letter of credit	—	—	—
Net cash (used in) provided by financing activities	(4.2)	—	(4.2)
Effect of exchange rate changes in cash	0.6	—	0.6
Net increase (decrease) in cash and cash equivalents	(16.3)	—	(16.3)
Cash and cash equivalents, at beginning of period	181.2	—	181.2
Cash and cash equivalents, at end of period	$164.9	$ —	$164.9

F-23

R1 RCM Inc.
Notes to Consolidated Financial Statements

8. Customer Liabilities
Customer liabilities include (i) accrued service costs (amounts due and accrued for cost reimbursements), (ii) deferred customer billings (net operating fees invoiced or accrued and incentive fees collected that have not met all revenue recognition criteria), (iii) refund liabilities (amounts potentially due as a refund to the Company's customers on incentive fees), (iv) customer deposits (consisting primarily of net operating fees under the Company's RCM contracts that are paid prior to the service period and amounts due as a refund to the Company's customers on incentive fees) and (v) Deferred Revenue (contract liabilities) (fixed or variable fees amortized to revenue over the service period). Deferred customer billings are classified as current based on the customer contract end dates or other termination events that fall within twelve months of the balance sheet dates. Accrued service cost, refund liabilities and contract liabilities are classified as current or non-current based on the anticipated period in which the liabilities are expected to be settled or the revenue is expected to be recognized.
Customer liabilities consist of the following (in millions):

	December 31, 2017	December 31, 2016
Deferred customer billings, current	$ —	$ 68.2
Accrued service costs, current (1)	23.7	14.8
Customer deposits, current (1)	—	0.9
Refund liabilities, current (1)	0.5	—
Deferred revenue (contract liabilities), current (1)	4.0	—
Current portion of customer liabilities	$ 28.2	$ 83.9
Deferred customer billings, non-current (2)	$ —	$ 110.0
Refund liabilities, non-current	—	—
Customer deposits, non-current	—	—
Deferred revenue (contract liabilities), non-current (2)	11.5	1.0
Non current portion of customer liabilities	$ 11.5	$ 111.0
Total customer liabilities	$ 39.7	$ 194.9

(1) Includes $23.7 million, $0.5 million and $2.9 million in current accrued service costs, refund liabilities and deferred revenue, respectively, for a related party that are included in the current portion of customer liabilities - related party in the accompanying consolidated balance sheets at December 31, 2017. Includes $13.2 million and $1.0 million in current accrued service costs and customer deposits, respectively, for a related party that are included in the current portion of customer liabilities - related party in the accompanying consolidated balance sheet at December 31, 2016.
(2) Includes $11.5 million in deferred revenue for a related party that are included in the non-current portion of customer liabilities - related party in the accompanying consolidated balance sheet at December 31, 2017. Includes $110.0 million in deferred customer billings for a related party that are included in the non-current portion of customer liabilities - related party in the accompanying consolidated balance sheet at December 31, 2016.
9. Stockholders' Equity (Deficit)
Preferred Stock and Warrant
The Company has 5,000,000 shares of authorized preferred stock, each with a par value of $0.01. The preferred stock may be issued from time to time in one or more series. The board of directors of the Company ("Board") is authorized to determine the rights, preferences, privileges and restrictions of the Company's authorized but unissued shares of preferred stock. On February 16, 2016, at the close of the Transaction, the Company issued to TCP-ASC ACHI Series LLLP, a limited liability limited partnership jointly owned by Ascension Health Alliance and investment funds affiliated with TowerBrook (the "Investor"): (i) 200,000 shares of its 8.00% Series A Convertible Preferred Stock, par

value $0.01 per share (the "Series A Preferred Stock" or "Preferred Stock"), for an aggregate price of $200 million and (ii) an exercisable warrant to acquire up to 60 million shares of its common stock with an exercise price of $3.50 per common share and a term of ten years. The Series A Preferred Stock is immediately convertible into shares of common stock. As of December 31, 2017 and December 31, 2016, the Company had 227,483 and 210,160 shares of Preferred Stock outstanding, respectively. See Note 13, 8.00% Series A Convertible Preferred Stock, for additional information.

Common Stock

Each outstanding share of the Company's common stock, par value $0.01 per share ("common stock"), is entitled to one vote per share on all matters submitted to a vote by shareholders. Subject to the rights of any preferred stock which may from time to time be outstanding, the holders of outstanding shares of common stock are entitled to receive dividends and, upon liquidation or dissolution, are entitled to receive pro rata all assets legally available for distribution to stockholders. No dividends were declared or paid on the common stock during 2017 or 2016.

Treasury Stock

On November 13, 2013, the Board authorized a repurchase of up to $50.0 million of the Company’s common stock in the open market or in privately negotiated transactions. The timing and amount of any shares repurchased will be determined by the Company based on its evaluation of market conditions and other factors. The repurchase program may be suspended or discontinued at any time at the sole discretion of the Board. Any repurchased shares will be available for use in connection with the Company’s stock plans and for other corporate purposes. The Company funds the repurchases from cash on hand. During the year ended December 31, 2016, the Company repurchased 158,557 shares of the Company stock for $0.4 million. During the year ended December 31, 2017, 855,474 shares were repurchased for $2.5 million. No shares have been retired. As of December 31, 2017 and December 31, 2016, the Company held in treasury 5,321,393 and 4,465,919 shares of repurchased stock, respectively.

Treasury stock also includes repurchases of Company stock related to employees’ tax withholding upon vesting of restricted shares. For the year ended December 31, 2017, the Company repurchased 784,531 shares related to employees’ tax withholding upon vesting of restricted shares. Additionally, treasury stock includes restricted stock awards that have been canceled or forfeited. See Note 10, Share-Based Compensation.

10. Share-Based Compensation

The Company maintains two stock incentive plans: the Amended and Restated Stock Option Plan (the "2006 Plan") and the Second Amended and Restated Stock 2010 Incentive Plan (the "2010 Amended Plan", together with the 2006 Plan, the "Plans"). In December 2016, the Company's stockholders approved the Second Amended and Restated 2010 Stock Incentive Plan, which authorized the issuance of an additional seventeen million shares of the Company's common stock pursuant to awards.

Under the Plans, the Company is authorized to issue up to a maximum of 46,374,756 shares of common stock. This number includes any shares that remained available for issuance under the 2006 Plan as of the date of the IPO and any shares subject to awards that were outstanding under the 2006 Plan as of the date of the IPO that expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company without the issuance of shares thereunder. The Company will not make any further grants under the 2006 Plan. The 2010 Amended Plan provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards ("RSAs"), restricted stock units ("RSUs") and other share-based awards. As of December 31, 2017, 8,664,763 shares were available for future grants of awards under the 2010 Amended Plan. To the extent that previously granted awards under the 2006 Plan or 2010 Amended Plan expire, terminate or are otherwise surrendered, canceled or forfeited, the number of shares available for future awards under the 2010 Amended Plan will increase.

R1 RCM Inc.
Notes to Consolidated Financial Statements

Under the terms of the Plans, all stock options will expire if they are not exercised within ten years of their grant date. Generally all employee options, RSAs and RSUs vest ratably between one and four years.
As of January 1, 2017, the Company adopted ASU 2016-09. The Company elected to change its accounting policy to account for forfeitures as they occur under the new standard. The change was applied on a modified retrospective basis with a cumulative effect adjustment recorded to increase accumulated deficit by $0.9 million, increase additional paid-in capital by $1.5 million and increase non-current deferred tax assets by $0.6 million as of January 1, 2017. Excess tax benefits for share-based payments are now included in net cash used in operating activities rather than net cash used in financing activities. The changes have been applied prospectively in accordance with ASU 2016-09 and prior periods have not been adjusted.

Amendments related to accounting for excess tax benefits and shortfalls have been adopted prospectively, resulting in recognition of excess tax benefits and shortfalls in income tax expenses (benefit) rather than additional paid-in capital. For the year ended December 31, 2017, the Company recognized $0.9 million of income tax expense from shortfalls associated with vesting and exercises of equity awards.
In 2014 and 2013, the Company granted service-based, non-qualified options to purchase 3,400,000 and 4,703,801 shares of common stock and awarded 1,000,000 and 400,000 shares of restricted stock, respectively, to key employees pursuant to inducement grant rules of the New York Stock Exchange ("NYSE"), of which 2,903,801, 3,703,801 and 7,103,801 of the stock options were outstanding as of December 31, 2017, 2016 and 2015, respectively, and 0, 41,630 and 1,399,980 of the shares of restricted stock were outstanding as of December 31, 2017, 2016 and 2015, respectively.
The Company uses the Black-Scholes option pricing model to estimate the fair value of its service-based options as of its grant date. The Company uses the Monte Carlo simulations to estimate the fair value of its RSAs with vesting based on market-based performance conditions as of their respective grant dates. Expected life is based on the market condition to which the vesting is tied. Monte Carlo simulations are also used to estimate the fair value of its PBRSUs. The PBRSUs vest upon satisfaction of both time-based requirements and performance targets based on share price. Expected life is based on the market condition to which the vesting is tied.
The following table sets forth the significant assumptions used in the Black-Scholes option pricing model and the Monte Carlo simulations and the calculation of share-based compensation expense during 2017, 2016 and 2015:

	Year Ended December 31,		
	2017	2016	2015
Expected dividend yield	—	—	—
Risk-free interest rate	1.8% to 2.38%	1.2% to 2.06%	1.5% to 2.0%
Expected volatility	40% - 45%	45% - 50%	50%
Expected term (in years)	2.34 to 6.29	5.96 to 6.30	6.25
Forfeitures	—%	5.68% annually	5.68% annually

Total share-based compensation costs that have been included in the Company’s consolidated statements of operations were as follows (in millions):

R1 RCM Inc.
Notes to Consolidated Financial Statements

	Year Ended December 31,		
	2017	2016	2015
Share-Based Compensation Expense Allocation Details:			
Cost of services	$4.5	$6.1	$7.2
Selling, general and administrative	6.1	22.0	24.5
Other	0.1	1.8	—
Total share-based compensation expense (1)	$10.7	$29.9	$31.7

(1) Includes $0.1 million, $0.1 million and $2.4 million in share-based compensation expense paid in cash during the year ended December 31, 2017, 2016 and 2015, respectively. In addition to the share-based compensation expense recorded above, $0.5 million, $0.4 million and $0 of share-based compensation expense was capitalized to deferred contract costs for the year ended December 31, 2017, 2016 and 2015, respectively. See Note 17, Deferred Contract Costs, for further discussion.

Stock options

The following table sets forth a summary of all employee and non-employee option activity under all plans for the years ended December 31, 2017, 2016 and 2015:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2015	19,924,405	$ 10.91	6.9	$ 9.4
Granted	2,231,504	5.60		
Exercised	(1,374,438)	1.13		
Canceled/forfeited	(5,521,205)	13.17		
Outstanding at December 31, 2015	15,260,266	10.23	7.0	$ 0.3
Granted	11,186,107	2.39		
Exercised	(94,240)	1.93		
Canceled/forfeited	(5,933,526)	9.22		
Outstanding at December 31, 2016	20,418,607	6.26	7.9	$ 0.3
Granted	3,683,406	3.34		
Exercised	(69,329)	2.38		
Canceled/forfeited	(6,289,718)	9.01		
Outstanding at December 31, 2017	17,742,966	4.70	7.9	$ 23.7
Outstanding, vested and exercisable at December 31, 2015	11,879,209	$ 11.73	5.6	$ 9.4
Outstanding, vested and exercisable at December 31, 2016	7,993,168	$ 11.34	5.3	$ —
Outstanding, vested and exercisable at December 31, 2017	5,778,376	$ 8.87	5.5	$ 17.7

The weighted-average grant date fair value of options granted during the years ended December 31, 2017, 2016 and 2015 was $1.34, $1.07 and $2.78 per share, respectively. The weighted-average grant date fair value excludes the options granted under the option exchange discussed further below. The total intrinsic value of the options exercised in the years ended December 31, 2017, 2016 and 2015 was $0.1 million, $0.1 million and $4.9 million, respectively. The total fair value of options vested during the years ended December 31, 2017, 2016 and 2015 was $4.9 millions, $15.0 million and $14.9 million, respectively.

On May 12, 2017, the Company offered certain employees and directors an opportunity to elect to exchange certain stock options for new options covering a fewer number of shares of common stock. Under this

R1 RCM Inc.
Notes to Consolidated Financial Statements

offer, the Company accepted for exchange 4,279,463 options. All surrendered options were canceled and the Company issued 1,728,795 new stock options in exchange for such tendered options. The exchange ratios were established with the intent not to generate incremental share-based compensation expense and were established just prior to commencement of the offer. The incremental compensation associated with the fluctuations in the Company's common stock price between the date the exchange ratios were established and the commencement of the offer was insignificant.

Restricted stock awards

The following table sets forth a summary of the activity during the years ended December 31, 2017, 2016 and 2015:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding and unvested at January 1, 2015	2,477,465	$ 8.71
Granted	8,994,729	3.34
Vested	(1,892,049)	5.24
Forfeited	(324,213)	7.61
Outstanding and unvested at December 31, 2015	9,255,932	$ 4.24
Granted	3,071,876	2.58
Vested	(3,361,336)	4.37
Forfeited	(3,103,760)	4.69
Outstanding and unvested at December 31, 2016	5,862,712	$ 3.01
Granted	—	—
Vested	(2,675,782)	3.50
Forfeited	(834,440)	1.52
Outstanding and unvested at December 31, 2017	2,352,490	$ 3.03

The total fair value of RSAs vested during the years ended December 31, 2017, 2016 and 2015 was $9.3 million, $14.7 million, and $9.9 million, respectively. The Company's RSA agreements allow employees to deliver to the Company shares of stock upon vesting of their RSAs in lieu of their payment of the required personal employment-related taxes. The Company does not withhold taxes in excess of maximum required statutory requirements. During the years ended December 31, 2017, 2016 and 2015, employees delivered to the Company 733,769, 996,510 and 441,537 shares of stock, respectively, which the Company recorded at a cost of approximately $1.8 million, $2.2 million and$1.6 million, respectively. As of December 31, 2017, the Company held 2,263,706 shares of surrendered common stock in treasury related to the vesting of RSAs.

Forfeited and canceled RSAs are added to treasury stock. For the years ended December 31, 2017, 2016 and 2015, 834,440, 3,103,760 and 324,213 shares were added to treasury stock due to canceled RSAs, respectively.

Restricted stock units

In the fourth quarter of 2016, the Company began to grant RSUs to its employees. A summary of the activity during the years ended December 31, 2017 and 2016 is shown below:

R1 RCM Inc.
Notes to Consolidated Financial Statements

	Shares	Weighted-Average Grant Date Fair Value
Outstanding and unvested at January 1, 2016	—	$ —
Granted	1,361,794	2.35
Vested	—	—
Forfeited	(15,020)	2.35
Outstanding and unvested at December 31, 2016	1,346,774	$ 2.35
Granted	285,527	2.96
Vested	(155,535)	2.35
Forfeited	(293,266)	2.35
Outstanding and unvested at December 31, 2017	1,183,500	$ 2.50

The Company's RSU agreements allow employees to surrender to the Company shares of common stock upon vesting of their RSUs in lieu of their payment of the required personal employment-related taxes. During the year ended December 31, 2017 and 2016, employees delivered to the Company 50,762 and no shares of stock, respectively, which the Company recorded at a cost of approximately $0.2 million and $0.0 million, respectively. Shares surrendered for payment of personal employment-related taxes are held in treasury.

Performance-based restricted stock units

In the third quarter of 2017, the Company began to grant performance-based RSUs ("PBRSUs" to its employees. The PBRSUs vest upon satisfaction of both time-based requirements and performance targets based on share price with certain awards vesting on December 31, 2019 and certain awards vesting on December 31, 2020. Depending on the average price of the stock for the 60 days prior to the end of the vesting period, the number of shares vesting could be between 0% and 350% of the number of PBRSUs originally granted. Based on the established price targets, 10,040,250 is the maximum number of shares that could vest.

A summary of the PBRSU activity during the year ended December 31, 2017 is shown below:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding and unvested at January 1, 2017	—	$ —
Granted	4,894,817	3.35
Vested	—	—
Forfeited	(108,917)	2.38
Outstanding and unvested at December 31, 2017	4,785,900	$ 3.37

Of the 4,785,900 outstanding PBRSUs at December 31, 2017, 1,475,208 shares are issued pursuant to the PBRSU award agreements intended to be settled in cash until such time as the share reserve available under the 2010 Amended Plan has been deemed sufficient by the Compensation Committee of our Board of Directors to allow for settlement of the PBRSUs in shares.

Modifications of share-based awards

During the second quarter of 2015, in connection with the resignation of a member of the Board who was also the former Chief Executive Officer of the Company, the Company modified the terms of awards previously granted to such Board member. This modification allowed for the continuation of vesting of options despite his resignation from the Board. Such modification resulted in a net increase of share-based compensation expense for the year ended December 31, 2015 of $3.1 million.

R1 RCM Inc.
Notes to Consolidated Financial Statements

During the third quarter of 2015, the Compensation Committee of the Board approved the grant of cash bonuses to the participants in the Company's 2014 annual cash incentive bonus plan who received all or a portion of their 2014 annual cash incentive award in the form of restricted shares of the Company's common stock (the "2014 Bonus Plan RSA Grantees"). Such bonuses were paid to 2014 Bonus Plan RSA Grantees on the second regularly scheduled payroll date following the Company’s scheduled second quarter earnings release on August 5, 2015 and were equal to the product of (i) $2.66 (which amount represents the difference of $5.38, the trading price per share of the Company’s common stock as of the close of trading on the date that the Company determined the number of restricted shares to be granted to 2014 Bonus Plan RSA Grantees, minus $2.72, the trading price per share of the Company’s common stock as of the close of trading on the second business day following the earnings release), multiplied by (ii) the number of restricted shares granted to the applicable 2014 Bonus Plan RSA Grantee. The aggregate number of restricted shares granted to 2014 Bonus Plan RSA Grantees was 683,401. This modification resulted in a net increase of share-based compensation expense for the year ended December 31, 2015 of $1.8 million.
During the second quarter of 2016, in connection with the resignation of the Company's Chief Executive Officer and Chief Financial Officer and the Restructuring Plan as further described in Note 11, the vesting of certain options and RSAs was accelerated pursuant to the agreements previously entered into by the former employees and resulted in an increase of share-based compensation expense for the year ended December 31, 2016 of $7.0 million.
11. Other

Other costs are comprised of reorganization-related and certain other costs. For the year ended December 31, 2017, 2016 and 2015, the Company incurred $4.7 million, $20.8 million and $9.3 million in other costs, respectively.
Other costs consist of the following (in millions):

	Year Ended December 31,		
	2017	2016	2015
Severance and employee benefits	$0.3	$3.5	$0.6
Facility charges	—	1.1	2.6
Non-cash share based compensation	0.1	1.8	—
Reorganization-related	0.4	6.4	3.2
Transaction fees (1)	—	12.7	—
Defined contribution plan contributions (2)	—	0.5	—
Restatement costs	—	1.2	2.5
Acquisition related diligence and costs (3)	3.1	—	—
Transitioned employees restructuring expense (4)	1.2	—	—
Strategic Alternative Exploration	—	—	3.8
Prior year employment tax expense	—	—	(0.2)
Other	4.3	14.4	6.1
Total other	$4.7	$20.8	$9.3

(1) Costs related to retention payments and legal fees paid in connection with the closing of the Transaction (see Note 13).
(2) Additional contributions to the Company's defined contribution plan for the year ended December 31, 2016.
(3) Costs related to evaluating and pursuing acquisition opportunities as part of the Company’s inorganic growth strategy.

R1 RCM Inc.
Notes to Consolidated Financial Statements

(4) As part of the transition of Ascension personnel to the Company in conjunction with the A&R MPSA, the Company has agreed to reimburse Ascension for certain severance and retention costs related to certain Ascension employees who will not be transitioned to the Company.

Reorganization-related

During the second and fourth quarters of 2016, the Company initiated restructuring plans consisting of reductions in its workforce in order to align the size and composition of its workforce to its current client base, better position itself for already committed future growth, and enable the Company to more efficiently serve contracted demand.

The Company's reorganization activity was as follows (in millions):

	Severance and Employee Benefits	Facilities and Other Costs	Total
Reorganization liability at December 31, 2014	$ 3.3	$ 0.1	$3.4
Restructuring charges	0.6	2.6	3.2
Cash payments	(3.6)	(0.5)	(4.1)
Non-cash charges	—	—	—
Reorganization liability at December 31, 2015	$ 0.3	$ 2.2	$2.5
Restructuring charges	5.4	1.0	6.4
Cash payments	(2.3)	(2.7)	(5.0)
Non-cash charges	(1.8)	—	(1.8)
Reorganization liability at December 31, 2016	$ 1.6	$ 0.5	$2.1
Restructuring charges	0.4	—	0.4
Cash payments	(1.7)	(0.5)	(2.2)
Non-cash charges	(0.1)	$ —	(0.1)
Reorganization liability at December 31, 2017	$ 0.2	$ —	$0.2

12. Income Taxes

The domestic and foreign components of income (loss) before income taxes consist of the following (in millions):

	Year Ended December 31,		
	2017	2016	2015
Domestic	$(33.9)	$292.4	$(139.1)
Foreign	6.6	5.8	3.3
Total income (loss) before income taxes	$(27.3)	$298.2	$(135.8)

For the years ended December 31, 2017, 2016 and 2015, the Company’s current and deferred income tax expense (benefit) attributable to income (loss) from operations are as follows (in millions):

F-31

R1 RCM Inc.
Notes to Consolidated Financial Statements

	Current	Deferred	Total
Year Ended December 31, 2015			
U.S. Federal	$ 0.1	$ (43.2)	$ (43.1)
State & Local	(0.2)	(8.5)	(8.7)
Foreign	0.5	(0.3)	0.2
	$ 0.4	$ (52.0)	$ (51.6)
Year Ended December 31, 2016			
U.S. Federal	$ (0.2)	$ 95.6	$ 95.4
State & Local	—	25.0	25.0
Foreign	1.1	(0.4)	0.7
	$ 0.9	$ 120.2	$ 121.1
Year Ended December 31, 2017			
U.S. Federal	$ 0.1	$ 32.4	$ 32.5
State & Local	0.2	(2.3)	(2.1)
Foreign	1.5	(0.4)	1.1
	$ 1.8	$ 29.7	$ 31.5

Reconciliation of the difference between the actual tax rate and the statutory U.S. federal income tax rate is as follows:

	Year Ended December 31,		
	2017	2016	2015
Federal statutory tax rate	35 %	35 %	35 %
Increase in income tax rate resulting from:			
State and local income taxes, net of federal tax benefits	5 %	5 %	4 %
U.S. Tax Reform	(140)%	— %	— %
Stock-based Compensation	(17)%	— %	— %
Other	2 %	1 %	(1)%
Actual tax rate	(115)%	41 %	38 %

R1 RCM Inc.
Notes to Consolidated Financial Statements

The following table sets forth the Company's net deferred tax assets as of December 31, 2017 and 2016 (in millions):

	As of December 31, 2017	2016
Deferred Tax assets:		
Deferred customer billings	$—	67.5
Net operating loss carryforwards	47.9	71.0
Share-based compensation	13.0	22.9
Accrued bonus	4.0	4.8
Advanced billing revenue	4.0	0.4
Other reserves	0.4	0.7
Alternative minimum tax	2.4	1.9
Other	3.3	2.1
Deferred Rent	2.9	2.9
R&D credit	0.3	0.3
Charitable contributions	0.4	0.5
Stock warrants	—	0.1
Total gross deferred tax assets	78.6	175.1
Fixed assets	(1.7)	(2.1)
Contract implementation costs	(3.3)	(1.8)
Less valuation allowance	(3.1)	(1.3)
Net deferred tax asset	$70.5	$169.9

At December 31, 2017, the Company had cumulative U.S. federal and state net operating loss carryforwards of approximately $182.5 million and $190.8 million, respectively, which are available to offset U.S. federal and state taxable income in future periods through 2037.

Enacted on December 22, 2017, the Tax Act reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. At December 31, 2017, the Company has not completed the accounting for the tax effects of enactment of the Tax Act. However, as described below, the Company has made a reasonable estimate of the effects on the existing deferred tax balances and the one-time transition tax. For these items, a net provisional tax cost of approximately $38.2 million is recognized and is included as a component of provision for income taxes from continuing operations.

The Company remeasured certain U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, the Company is still analyzing certain aspects of the Tax Act and refining the calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. A provisional amount was recorded related to the remeasurement of the deferred tax balance, resulting in a provision for income taxes benefit of approximately $35.2 million.

The one-time transition tax is based on the total post-1986 earnings and profits ("E&P") for which the Company had previously deferred from U.S. income taxes. A provisional amount was recorded for the one-time transition tax liability, resulting in a provision for income taxes cost of approximately $3.0 million. The Company has not yet completed the calculation of the total post-1986 foreign E&P. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets. This amount may change when the calculation of post-1986 foreign E&P and the amounts held in cash or other specified assets are finalized.

F-33

R1 RCM Inc.
Notes to Consolidated Financial Statements

A valuation allowance is required to be established when, based on currently available information, it is more likely than not that all or a portion of a deferred tax asset will not be realized. The guidance on accounting for income taxes provides important factors in determining whether a deferred tax asset will be realized, including whether there has been sufficient taxable income in recent years and whether sufficient income can reasonably be expected in future years in order to utilize the deferred tax asset. Consideration is given to the weight of all available evidence, both positive and negative. The Company estimates its already contracted business growth associated with the Ascension A&R MPSA will be profitable and allow the Company to utilize its NOL carryforwards and other deferred tax assets. Accordingly, the Company believes that it is more likely than not that the remaining deferred tax assets will be realized. Should the Company not operationally execute as expected, and the growth in the Ascension business not be as profitable as expected, such realizability assessment may change.

The Company has recorded valuation allowances at December 31, 2017 and 2016 of $1.3 million and $1.3 million, respectively, based on our assessment that it is more likely than not that a portion of the Company's separate state income tax net operating loss will not be realized because the Company no longer has business activities in that state, or where the activity level has decreased to such a level where we believe the NOL will not be realized. In addition, the Company has recorded a provisional valuation allowance of approximately $1.8 million for foreign taxes as a result of credits generated from the one-time transition that the Company believes will not be realized.

Immediately prior to enactment of the Tax Act on December 22, 2017, we had $20.5 million of undistributed foreign earnings. Upon passage of the Tax Act, all $20.5 million of undistributed foreign earnings became subject to U.S. federal tax. Under the Tax Act, future unremitted foreign earnings will no longer be subject to tax when repatriated to its U.S. parent, but may be subject to withholding taxes or distribution taxes of the payor affiliate country. The Company has the ability and intent to maintain our investments in India. The Company has not provided for any additional outside basis difference inherent in its foreign subsidiaries, as these amounts continue to be indefinitely reinvested in foreign operations.

The 2017, 2016 and 2015 current tax provision includes $1.4 million, $1.2 million and $0.5 million, respectively, for income taxes arising from the pre-tax income of the Company's India subsidiaries. The tax provisions are net of the impact of a tax holiday in India. The Company's benefits from this tax holiday were $1.0 million, $0.9 million and $0.7 million for the year ended for the year ended December 31, 2017, 2016 and 2015, respectively. The Company expanded its operations in India during the year and was awarded new tax holiday agreements. The tax holidays are set to expire between March 31, 2019 and March 31, 2027.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company's unrecognized tax benefits as of December 31, 2017, 2016 and 2015 totaled $0.3 million, $0.3 million and $1.2 million, respectively.

R1 RCM Inc.
Notes to Consolidated Financial Statements

The following table summarizes the activity related to the unrecognized tax benefits (in thousands):

	Tax Benefit
Unrecognized tax benefits at December 31, 2014	$ 1.1
Increases in positions taken in a current period	0.1
Increases in positions taken in prior period	0.6
Decreases in positions taken in a prior period	—
Decreases due to lapse of statute of limitations	(0.6)
Decreases due to settlement	—
Unrecognized tax benefits at December 31, 2015	$ 1.2
Increases in positions taken in a current period	—
Increases in positions taken in prior period	5.0
Decreases in positions taken in a prior period	(5.0)
Decreases due to lapse of statute of limitations	—
Decreases due to settlement	(0.9)
Unrecognized tax benefits at December 31, 2016	$ 0.3
Increases in positions taken in prior period	0.1
Increases in positions taken in a current period	—
Decreases in position taken in prior period	(0.1)
Decreases due to lapse of statute of limitations	—
Decreases due to settlement	—
Unrecognized tax benefits at December 31, 2017	$ 0.3

As of December 31, 2017, approximately $0.3 million of the total gross unrecognized tax benefits represented the amount that, if recognized, would result in an adjustment to the effective income tax rate in future periods. The Company recognizes interest and penalties related to income tax matters as part of income tax expense. The Company recorded adjustments to interest and potential penalties related to these unrecognized tax benefits during 2017, and in total, as of December 31, 2017, the Company has recorded a liability for interest and potential penalties of $0.0 million. The Company anticipates changes to the reserves within the next 12 months to be primarily related to interest. The Company believes it has sufficient accruals for contingent tax liabilities.

In connection with tax return examinations, contingencies can arise that generally result from different interpretations of tax laws and regulations as they pertain to the amount, timing or inclusion of revenues and expenses in taxable income, or the ability to utilize tax credits to reduce income taxes payable. While it is probable, based on the potential outcome of the Company’s federal and state tax examinations or the expiration of the statute of limitations for specific jurisdictions, that the liability for unrecognized tax benefits may increase or decrease within the next 12 months, the Company does not expect any such change would have a material effect on our financial condition, results of operations or cash flow.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. U.S. federal income tax returns since 2014 are currently open for examination. State jurisdictions vary for open tax years. The statute of limitations for most states ranges from three to six years. The Company’s subsidiaries India income tax returns since fiscal year 2009 are currently open for final determination.

13. 8.00% Series A Convertible Preferred Stock

At the close of the Transaction on February 16, 2016 (as described in Note 1), the Company issued to the Investor: (i) 200,000 shares of Preferred Stock, for an aggregate price of $200 million, and (ii) a warrant with a term of ten years to acquire up to 60 million shares of common stock at an exercise price of $3.50 per share, on the terms

R1 RCM Inc.
Notes to Consolidated Financial Statements

and subject to the conditions set forth in the Warrant Agreement (“Warrant”). The Preferred Stock is immediately convertible into shares of common stock.

During the twelve months ended December 31, 2016, the Company incurred direct and incremental expenses of $21.3 million (including $14.0 million in closing fees paid to the Investor) relating to financial advisory fees, closing costs, legal expenses and other offering-related expenses in connection with the Transaction. These direct and incremental expenses reduced the carrying amount of the Preferred Stock. In connection with the issuance of the Preferred Stock, a beneficial conversion feature of $48.3 million was recognized. Since the Preferred Stock is presently convertible into common stock, this amount was subsequently accreted to the carrying amount of the Preferred Stock, and treated as a deemed preferred stock dividend in the calculation of earnings per share.

Dividend Rights

The holders of the Preferred Stock are entitled to receive cumulative dividends January 1, April 1, July 1 and October 1 of each year (dividend payment dates), which commenced on April 1, 2016, at a rate equal to 8% per annum (preferred dividend) multiplied by the liquidation preference per share, initially $1,000 per share adjusted for any unpaid cumulative preferred dividends. For the first seven years after issuance, the dividends on the Preferred Stock will be paid-in-kind. As of December 31, 2017 and 2016, the Company had accrued dividends of $4.5 million and $4.2 million associated with the Preferred Stock, respectively, of which $4.5 million and $4.2 million was paid in additional shares and $660 and $260 was paid in cash in January of the following year, respectively. For the year ended December 31, 2017 and 2016, the dividends that were paid, or accrued, in additional shares of Preferred Stock totaled $17.7 and $14.4 million, respectively.

Conversion Features

Each share of the Preferred Stock may be converted to common stock on any date at the option of the holder into the per share amount (as defined in the Certificate of Designations of the 8.00% Series A Convertible Preferred Stock (the "Series A COD")). Fractional shares resulting from any conversion will be rounded to the nearest whole share.

Redemption Rights

Since the redemption of the Preferred Stock is contingently or optionally redeemable and therefore not certain to occur, the Preferred Stock is not required to be classified as a liability under ASC 480, Distinguishing Liabilities from Equity. As the Preferred Stock is redeemable at the option of the holders upon a fundamental change (as defined in the Series A COD) and is redeemable in certain circumstances upon the occurrence of an event that is not solely within the Company's control, the Company has classified the Preferred Stock in mezzanine equity on the Consolidated Balance Sheets. In the event the Company believes that redemption of the Preferred Stock is probable, the Company would be required to accrete changes in the carrying value to the redemption value over the period until the expected redemption date.

Voting Rights

Each holder of the Preferred Stock is entitled to vote with the common stock on an as-converted basis on all matters submitted to a vote of shareholders of the Company, and has full voting rights and powers equal to the voting rights and powers of the holders of common stock.

The following summarizes the Preferred Stock activity for the twelve months ended December 31, 2017 and 2016 (in millions, except per share data):

R1 RCM Inc.
Notes to Consolidated Financial Statements

	Preferred Stock Shares Issued and Outstanding	Carrying Value
Balance at December 31, 2015	—	$ —
Issuance of preferred stock	200,000	108.9
Beneficial conversion feature deemed dividend	—	48.3
Dividends paid/accrued dividends	10,160	14.4
Balance at December 31, 2016	210,160	$ 171.6
Dividends paid/accrued dividends	17,323	17.7
Balance at December 31, 2017	227,483	$ 189.3

14. Earnings (Loss) Per Share

Basic net income per share is computed by dividing net income, less any dividends, accretion or decretion, redemption or induced conversion on the Preferred Stock, by the weighted average number of common shares outstanding during the period. As the Preferred Stock participates in dividends alongside the Company's common stock (per their participating dividends), the Preferred Stock would constitute participating securities under ASC 260-10 and are applied to earnings per share using the two-class method. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends.

Diluted net income per share is calculated using the more dilutive of the if-converted or the two-class method. For the years ended December 31, 2017 and 2016, the two-class method was more dilutive and was computed by adjusting the denominator used in the basic net income per share computation by the weighted average number of common shares outstanding and potentially dilutive securities outstanding during the period plus, when their effect is dilutive, incremental shares consisting of shares subject to stock options, shares issuable upon vesting of RSAs, RSUs, PBRSUs and Preferred Stock.

R1 RCM Inc.
Notes to Consolidated Financial Statements

Basic and diluted net income (loss) per common share are calculated as follows (in millions, except share and per share data):

	Twelve Months Ended December 31,		
	2017	2016	2015
Basic EPS:			
Net income (loss)	$(58.8)	$ 177.1	$ (84.3)
Less dividends on preferred shares	(17.7)	(62.7)	—
Less income allocated to preferred shareholders	—	(49.0)	—
Net income (loss) available/(allocated) to common shareholders - basic	$(76.5)	$ 65.4	$ (84.3)
Diluted EPS:			
Net income (loss)	(58.8)	177.1	(84.3)
Less dividends on preferred shares	(17.7)	(62.7)	—
Less income allocated to preferred shareholders	—	(49.0)	—
Net income (loss) available/(allocated) to common shareholders - diluted	$(76.5)	$ 65.4	$ (84.3)
Basic weighted-average common shares	102,062,050	100,160,206	96,806,885
Add: Effect of dilutive securities	—	—	—
Diluted weighted average common shares	102,062,050	100,160,206	96,806,885
Net income (loss) per common share (basic)	$(0.75)	$ 0.65	$ (0.87)
Net income (loss) per common share (diluted)	$(0.75)	$ 0.65	$ (0.87)

Because of their anti-dilutive effect, 26,064,856 and 27,628,093 common share equivalents comprised of stock options, RSAs, PBRSUs and RSUs have been excluded from the diluted earnings per share calculation for the years ended December 31, 2017 and 2016, respectively. Due to the net loss, stock options and RSAs totaling 24,516,198 were not included in the computation of diluted income (loss) per share for the year ended 2015. Additionally, the Investor's exercisable warrant to acquire up to 60 million shares of the Company's common stock has been excluded from the diluted earnings per share calculation because it is anti-dilutive for all periods presented.

15. Commitments and Contingencies

Operating Leases

The Company rents office space and equipment under operating leases, primarily for its Chicago corporate office, U.S. shared services centers and India operations. Office space lease terms range from one to 13 years, whereas equipment lease terms range from one to three years. The Company’s leases contain various rent holidays and rent escalation clauses and entitlements for tenant improvement allowances. Lease payments are amortized to expense on a straight-line basis over the lease term.

Total rent expense under all operating leases was $7.9 million, $5.6 million and $6.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

R1 RCM Inc.
Notes to Consolidated Financial Statements

The aggregate future minimum rental commitments under all noncancelable operating leases having remaining terms in excess of one year as of December 31, 2017 are as follows (in millions):

2018	$8.1
2019	7.4
2020	7.6
2021	7.3
2022	4.0
Thereafter	19.0
Total	$53.4

Legal Proceedings

Other than as described below, the Company is not presently a party to any material litigation or regulatory proceeding and is not aware of any pending or threatened litigation or regulatory proceeding against the Company which, individually or in the aggregate, could have a material adverse effect on its business, operating results, financial condition or cash flows.

On July 22, 2014, the Company was named as a defendant in a putative class action lawsuit filed in the U.S. District Court for the Eastern District of Michigan (Anger v. Accretive Health, Inc.), seeking statutory damages, injunctive relief and attorneys' fees. The primary allegations are that the Company attempted to collect debts without providing the notice required by the Fair Debt Collection Practices Act ("FDCPA") and Michigan Fair Debt Collection Practices Act and failed to abide by the terms of an agreed payment plan in violation of those same statutes. On February 23, 2017, the parties reached a settlement in principle and filed the proposed class action settlement with the Court, which conducted a Class Action Fairness Act (CAFA) hearing on whether to approve of the settlement. Members of the putative class were notified of the settlement and were given an opportunity to object or opt-out of the settlement. No objections to the settlement were entered before or at the CAFA hearing on October 4, 2017, and the Court approved the settlement by Order dated October 11, 2017. Accordingly, the Company paid a total $1.3 million settlement amount, some of which was paid to a settlement fund to assist members of the class Ascension Michigan ministry patients pay off healthcare debt to Ascension ministries.

In April 2015, the Company was named among other defendants in an employment action brought by a former employee of Mercy Maine Hospital before the Maine Human Rights Commission ("MHRC"), alleging improper termination in retaliation for uncovering alleged Medicare fraud. The plaintiff filed a parallel qui tam action in the District of Maine (Worthy v. Eastern Maine Healthcare Systems) making the same allegations, and seeking money damages, False Claims Act penalties and plaintiff's attorneys' fees. The U.S. Department of Justice declined to intervene in the federal court action, and the case was unsealed in April 2015. The parties mediated the case before the Magistrate Judge on July 24, 2017 and reached an agreement in principle, and subsequently resolved an additional contingency in order to settle the case. The settlement, which is now finalized, did not have a material impact to the consolidated financial statements.

In May 2016, the Company was served with a False Claims Act case brought by a former emergency department service associate who worked at a hospital of one of the Company's customers, MedStar Inc.'s Washington Hospital Center ("WHC"), along with WHC and three other hospitals that were PAS clients and a place holder, John Doe hospital, representing all PAS clients (USA ex rel. Graziosi vs. Accretive Health, Inc. et. al.), and seeking money damages, False Claims Act penalties and plaintiff's attorneys' fees. The Second Amended Complaint alleges that the Company's PAS business violates the federal False Claims Act. The case was originally filed under seal in 2013 in the federal district court in Chicago, was presented to the U.S. Attorney in Chicago twice, and the U.S. Attorneys declined to intervene. The Company filed a motion to dismiss the Second Amended Complaint on July 29, 2016. On March 22, 2017, the district court dismissed all claims against all hospital defendants other than Medstar Inc.'s WHC, and dismissed all claims related to TriCare-related episodes of care. Plaintiff filed a Third Amended Complaint, seeking to add back claims related to other PAS clients in January 2018,

R1 RCM Inc.
Notes to Consolidated Financial Statements

and the Company has moved to discuss all such claims related to any hospital other than WHC. That motion has been fully briefed. The Company believes that it has meritorious defenses to all claims in the case and intends to vigorously defend itself against these claims. The outcome is not presently determinable.

16. Related Party Transactions

As a result of the closing of the Transaction on February 16, 2016 and Ascension's ownership interest in the Investor, Ascension became a related party to the Company. See Note 13, 8.00% Series A Convertible Preferred Stock, for additional information.

The Company provides RCM and PAS services to Ascension. The execution of the A&R MPSA, as discussed in Note 1, Business Description and Basis of Presentation, was a contractual settlement agreement of the prior Master Professional Services Agreement between the Company and Ascension. The Company recorded revenue of $404.4 million and $437.4 million in connection with these services for the year ended December 31, 2017 and 2016, respectively. In addition to the revenue recorded related to the execution of the A&R MPSA, the Company recorded revenue from services provided to Ascension of $24.0 million for the year ended December 31, 2016.

At December 31, 2017, the Company had $27.1 million in current portion of customer liabilities for a related party, consisting of $23.7 million, $0.5 million and $2.9 million in current accrued service costs, refund liabilities and deferred revenue. The Company had $11.5 million in non-current portion of customer liabilities for a related party related to non-current deferred revenue as of December 31, 2017. At December 31, 2016, the Company had $14.2 million in current portion of customer liabilities for a related party, consisting of $13.2 million in current accrued service costs and $1.0 million in current customer deposits. The Company had $110.0 million in non-current portion of customer liabilities for a related party related to deferred customer billings as of December 31, 2016. At December 31, 2017 and December 31, 2016, the Company had $15.4 million and $1.8 million in accounts receivable with Ascension, respectively.

As part of the transition of Ascension personnel to the Company in conjunction with the A&R MPSA, the Company has agreed to reimburse Ascension for certain severance and retention costs related to certain Ascension employees who will not be transitioned to the Company. As of December 31, 2017 and December 31, 2016, the Company had $0.5 million and $1.7 million in accrued compensation and benefits related to these costs, respectively.

As Ascension is the Company's largest customer, a significant percentage of the Company's cost of services is associated with providing services to Ascension. However, due to the nature of the Company's shared services and information technology operations, it is impractical to assign the dollar amount associated with services provided to Ascension.

17. Deferred Contract Costs

Certain costs associated with the initial phases of the Ascension A&R MPSA and with the transition of additional Ascension hospitals are deferred. These fulfillment costs relate directly to the Company’s responsibilities under the A&R MPSA, generate or enhance resources of the Company that will be used in satisfying its performance obligations under the A&R MPSA in the future, and are expected to be recovered through the margins realized under the A&R MPSA. At December 31, 2017, the Company had $13.2 million in total deferred contract costs and $4.8 million at December 31, 2016.

Of the $13.2 million in deferred eligible costs, $1.6 million is included in prepaid expenses and other current assets and $11.6 million is included in other assets in the accompanying consolidated balance sheets as of December 31, 2017. As of December 31, 2016, deferred eligible costs were included in the other non-current assets in the accompanying consolidated balance sheets.

R1 RCM Inc.
Notes to Consolidated Financial Statements

The associated assets are amortized as services are transferred to the customer over the remaining life of the contracts. For the year ended December 31, 2017 and 2016, total amortization was $1.0 million and $0 million, respectively, and there were no associated impairment losses.

18. Segments and Customer Concentrations

The Company has determined that it has a single operating segment in accordance with how its business activities are managed and evaluated. All of the Company’s significant operations are organized around the single business of providing end-to-end management services of revenue cycle operations for U.S.-based hospitals and other medical providers. Accordingly, for purposes of segment disclosures, the Company has only one reporting segment. All of the Company’s net services revenue and trade accounts receivable are derived from healthcare providers domiciled in the United States.

Hospital systems affiliated with Ascension have accounted for a significant portion of the Company’s net services revenue each year since the Company’s formation. For the twelve months ended December 31, 2017, 2016 and 2015, net services revenue from hospitals affiliated with Ascension accounted for 90%, 78% and 45% of the Company's total net services revenue, respectively. The loss of customers within the Ascension health system would have a material adverse impact on the Company’s operations. For the year ended December 31, 2016, Intermountain Healthcare accounted for 15% of the Company's total net services revenue. For the year ended December 31, 2015, one customer, unaffiliated with Ascension, accounted for 17% of the Company's total net services revenue.

As of December 31, 2017 and 2016, the Company had a concentration of credit risk with hospitals affiliated with Ascension accounting for 66% and 31% of accounts receivable, respectively.

R1 RCM Inc.
Notes to Consolidated Financial Statements

19. Retirement Plan

The Company maintains a 401(k) retirement plan (the "401(k) plan") that is intended to be a tax-qualified defined contribution plan under Section 401(k) of the Internal Revenue Code. In general, all employees are eligible to participate. The 401(k) plan includes a salary deferral arrangement pursuant to which participants may elect to reduce their current compensation by up to the statutorily prescribed limit, equal to $18,000 in 2017, 2016 and 2015, and have the amount of the reduction contributed to the 401(k) plan.

Effective July 1, 2017 the Company currently matches employee contributions up to 50% of the first 3% of base compensation that a participant contributes to the 401(k) plan, including director-level and above employees. Prior to July 1, 2017, the Company matched employee contributions up to 50% of the first 3% of base compensation that a participant contributed to the 401(k) Plan and director-level and above employees were excluded from the matching contribution feature of the plan. For the years ended December 31, 2017, 2016 and 2015, total Company contributions to the plan were $2.2 million, $0.7 million and $0.4 million, respectively.

20. Accrued Compensation and Benefits

Accrued compensation and benefits is comprised of the following (in millions):

	Year Ended December 31,	
	2017	2016
Accrued payroll	$8.8	$3.3
Accrued bonus	16.3	12.5
Other	12.7	9.0
Ending balance	$37.8	$24.8

21. Other Non-Current

Other non-current liabilities consisted of the following (in millions):

	Year Ended December 31,	
	2017	2016
Deferred rent	$11.9	$9.0
Other	—	0.7
Ending balance	$11.9	$9.7

Note 22. Quarterly Financial Information (Unaudited)
The following tables provide our Quarterly Condensed Consolidated Statements of Operations (in millions except per share data):

R1 RCM Inc.
Notes to Consolidated Financial Statements

	1st Quarter Ended March 31,		2nd Quarter Ended June 30,		3rd Quarter Ended September, 30		4th Quarter Ended December 31,	
	2017	2016	2017	2016	2017	2016	2017	2016
Net services revenue	$86.9	$352.2	$99.4	$8.7	$123.2	$125.5	$140.3	$106.2
Total operating expenses	95.4	73.5	109.6	78.4	128.3	64.1	144.0	78.6
Income (loss) from operations	(8.5)	278.7	(10.2)	(69.8)	(5.1)	61.4	(3.7)	27.5
Net income (loss)	$(8.3)	$167.4	$(6.7)	$(40.8)	$(3.6)	$37.3	$(40.2)	$13.1
Net income (loss) per common share								
Basic	$(0.12)	$0.85	$(0.11)	$(0.45)	$(0.08)	$0.18	$(0.44)	$0.05
Diluted	$(0.12)	$0.85	$(0.11)	$(0.45)	$(0.08)	$0.18	$(0.44)	$0.05

Note 23. Subsequent Event

Intermountain Services Agreement

On and effective as of January 23, 2018, the Company entered into an Amended and Restated Services Agreement (the “Intermountain Services Agreement”) with Intermountain Healthcare (“Intermountain Healthcare” or “Intermountain”) having a ten-year term. Additionally, Intermountain has entered into a securities purchase agreement with R1 described in more detail below to acquire equity in R1 for an aggregate purchase price of $20 million.

The Intermountain Services Agreement continues the Company’s relationship with Intermountain Healthcare which commenced in October 2011 and was previously extended by amendment dated September 27, 2016. Pursuant to the Intermountain Services Agreement, the Company will provide revenue cycle management service offering to Intermountain hospitals and medical group providers under the operating partner model. In addition, the Company will provide revenue cycle management services to Intermountain’s homecare, hospice and palliative care, durable medical equipment and infusion therapy business. Intermountain has agreed that the Company may provide services to additional hospitals acquired by Intermountain over time. With certain limited exceptions, the Company will be the exclusive provider of revenue cycle management services for the hospitals, medical group providers, and home health business affiliated with Intermountain. The Intermountain Services Agreement is subject to certain limited termination rights, including for uncured material breaches or specific service level failures or in the event a party is excluded from certain health care programs, is unable to perform their services as a result of a change in applicable law, is subject to certain adverse judgments or is subject to certain bankruptcy or similar insolvency or event of default occurrences.

On January 23, 2018, the Company entered into a Securities Purchase Agreement (the “Intermountain Purchase Agreement”), by and between the Company and Intermountain, pursuant to which the Company sold to Intermountain, in private placements under the Securities Act, (i) 4,665,594 shares of common stock, at a purchase price of $4.2867 per share (representing the per share average closing price of the Company’s Common Stock for the period from January 1, 2018 to January 12, 2018), and (ii) a warrant to acquire up to 1,500,000 shares of Common Stock on the terms and subject to the conditions set forth in the Warrant Agreement, for an aggregate purchase price of $20,000,000.

Under the terms of the Intermountain Purchase Agreement, for so long as Intermountain’s “Ownership Threshold” (as that term is defined in the Purchase Agreement) is met, Intermountain shall be entitled to nominate one individual (the

"Intermountain Designee") to the Company's Board. Additionally, subject to applicable law and the listing standards of the Nasdaq Capital Market (or other United States national securities exchange that the Common Stock is listed upon, if any), the Company will offer the Intermountain Designee an opportunity to, at Intermountain's option, either sit on each regular committee of the Board or attend (but not vote) at the meetings of such committee as an observer.

F-43

R1 RCM Inc.
Notes to Consolidated Financial Statements

Intermedix Merger

On February 23, 2018, the Company entered into an Agreement and Plan of Merger (the “Intermedix Agreement”), with Intermedix Holdings, Inc. (“Intermedix”), Project Links Parent, Inc. (“Parent”), a wholly-owned subsidiary of the Company, Project Links Merger Sub, Inc. (“Merger Sub”) and solely in its capacity as Securityholder Representative, Thomas H. Lee Equity Fund VI, L.P., providing for the merger of Merger Sub with and into Intermedix (the “Merger”), with Intermedix surviving the Merger as a wholly-owned subsidiary of Parent.

Pursuant to the terms of the Intermedix Agreement, the Company will acquire Intermedix for $460 million in cash, subject to customary adjustments for cash, debt, transaction expenses and normalized working capital. The Company intends to fund the Merger and the related fees and expenses with a combination of cash on hand and new financing (such financing, the “Financing”). Concurrently with the execution of the Intermedix Agreement, the Company entered into debt financing commitment letters (as described in more detail below) that together with cash on hand, the Company believes are sufficient to cover the purchase price plus the related fees and expenses. Pursuant to the Intermedix Agreement, the Company has agreed to customary covenants to obtain the Financing, and Intermedix has agreed to provide reasonable cooperation with the Company in the Company’s efforts to obtain the Financing. There is no financing condition to the consummation of the Merger.

The Intermedix Agreement contains customary representations, warranties and closing conditions (including the expiration or early termination of the waiting period under the Hart-Scott-Rodino Act of 1976, as amended).Either Parent or Intermedix may terminate the Intermedix Agreement (i) if certain conditions to closing have not been satisfied or waived prior to the date that is four months after the signing of the Intermedix Agreement (the “Outside Date”) or (ii) if a restraint exists that permanently enjoins or prohibits the Merger. Parent may terminate the Intermedix Agreement if Intermedix is in material breach under the Intermedix Agreement and such material breach would cause certain conditions to the closing not to be met and which are not, or cannot be, cured in the time period specified in the Intermedix Agreement. Intermedix may terminate the Intermedix Agreement (i) if the Company, Parent or Merger Sub is in material breach under the Intermedix Agreement and such material breach would cause certain conditions to the closing not to be met and which are not, or cannot be, cured in the time period specified in the Intermedix Agreement, (ii) if all conditions to closing have been satisfied or waived and the Company, Parent and Merger Sub fail to consummate the Merger following confirmation by Intermedix it is prepared to close, in which case the Company will be required to pay to Intermedix a reverse termination fee of $23,000,000, or (iii) if the Company fails to execute an agreement with Ascension Health incorporating the terms of the term sheet for Medical Group RCM Services within the time period specified in the Intermedix Agreement and such condition to closing is not waived by the Company on or prior to the end of such time period, in which case the Company will be required to pay to Intermedix a termination fee of $32,200,000. The Intermedix Agreement may also be terminated by mutual written consent of Parent and Intermedix.

Immediately prior the closing of the Merger, Intermedix will spin-off certain assets related to Intermedix’s emergency preparedness and emergency response systems business to Intermedix’s existing shareholders, which assets will not be acquired by the Company. The transaction is expected to close in the second quarter of 2018.

Concurrently with the signing of the Intermedix Agreement, the Company entered into a debt commitment letter (the "Commitment Letter”), dated February 23, 2018 with Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Ares Capital Management LLC, on behalf of one or more funds and accounts managed directly or indirectly by Ares Capital Management LLC for a $295 million first lien senior secured credit facility, of which $270 million is a term loan facility and $25 million is a revolving credit facility (the “First Lien Facility”), which

Commitment Letter and the commitments contemplated thereby will terminate 4 months following the date of the Intermedix Agreement (coinciding with the termination date with respect to the Intermedix Agreement).

The Commitment Letter contains certain conditions to funding which are similar to the closing conditions included in the Intermedix Agreement. Borrowings under the First Lien Facility will bear interest at a fluctuating rate equal to, at the Company’s option, LIBOR or the applicable base rate plus a margin calculated as described in the Commitment Letter. Revolving loans under the First Lien Facility, if funded, will mature in five years and term loans under the First Lien Facility will mature in seven years.

In addition, concurrently with the signing of the Intermedix Agreement and the Commitment Letter, the Company entered into a commitment letter (the "Subordinated Commitment Letter"), dated February 23, 2018 with TowerBrook Investors IV (Onshore), L.P., TowerBrook Investors IV (892), L.P., TowerBrook Investors IV (OS), L.P., TowerBrook Investors IV Executive Fund, L.P., TowerBrook Investors IV Team Daybreak, L.P. and Ascension Health Alliance D/B/A Ascension (collectively, the "Purchasers"), pursuant to which the Purchasers have agreed to purchase $110 million of unsecured, subordinated notes (the "Subordinated Notes"; together with the First Lien Facility, the "Facilities"), which commitments contemplated thereby will terminate four months following the date of the Intermedix Agreement (coinciding with the termination date with respect to the Intermedix Agreement).

The Subordinated Commitment Letter contemplates that interest on the Subordinated Notes will accrue at 14.0% per annum, increasing by 1.0% per annum on the third anniversary of the closing date of the Merger and by an additional 1.0% per annum on each subsequent anniversary of the closing date of the Merger until the Subordinated Notes are repaid in full. Interest will be payable quarterly in cash; provided, however, that the Company may, at its option, (i) on or prior to the first anniversary of the closing date of the Merger, elect to pay up to 75% of each quarterly interest payment in kind (with such payment being capitalized to principal on the last day of each applicable fiscal quarter) and pay the remaining balance of such quarterly interest payment in cash; (ii) following the first anniversary and prior to the second anniversary of the closing date of the Merger, elect to pay up to 50% of each quarterly interest payment in kind and pay the remaining balance in cash; and (iii) thereafter, elect to pay up to 25% of each quarterly interest payment in kind and pay the remaining balance in cash. The Subordinated Notes will mature on the one year anniversary of the stated maturity date of the First Lien Facility.

Additionally, the Subordinated Commitment Letter contemplates that the Company may voluntarily prepay the Subordinated Notes subject to the applicable prepayment premium (other than in connection with a change of control) as follows: (i) if such prepayment is made before the first anniversary of the closing date of the Merger, an amount equal to 3.0% of the principal amount of the Subordinated Notes so prepaid; (ii) if such prepayment is made on or after the first anniversary but prior to the second anniversary of the closing date of the Merger, an amount equal to 2.0% of the principal amount of the Subordinated Notes so prepaid; (iii) if such prepayment is made on or after the second anniversary but prior to the third anniversary of the closing date of the Merger, an amount equal to 1.0% of the principal amount of the Subordinated Notes so prepaid; and (iv) if such prepayment is made on or after the third anniversary of the closing date of the Merger, there is no prepayment premium. In the event a prepayment of the Subordinated Notes is made in connection with a change of control (either through the exercise of the repurchase right of the holders of the Subordinated Notes or through a voluntary prepayment), the prepayment premium shall be an amount equal to 1.0% of the principal amount of the Subordinated Notes so prepaid.

Ascension Health Term Sheet

On February 23, 2018, the Company and Ascension Health entered into a non-binding term sheet setting forth certain material terms of a supplement (the "Supplement") to the A&R MPSA, which terms provide that the Company will provide certain revenue cycle management services for physician groups that receive services from Ascension Health's National Revenue Service Center and other groups associated with Ascension Health hospital systems (the "Medical Group RCM Services"). The Company expects to enter into the definitive Supplement for Medical Group RCM Services at the time of the closing of the Merger. The term sheet also contemplates that the Supplement will provide for: (i) the re-badging of certain centrally-based revenue cycle operations employees who support Ascension Health's physician groups; (ii) compensation for the Medical Group RCM Services through payment of a base fee and incentive fee, each calculated in accordance with the A&R MPSA, with revisions to the performance metrics and an increase in the available percentage of cash collections for the incentive payment; and (iii) the transition of the Medical Group RCM Services to physician groups associated with Ascension Wisconsin (as set forth in the Amendment) to the new terms set forth in the Supplement.

Presence Health

R1 RCM Inc.
Notes to Consolidated Financial Statements

On February 18, 2018, the Company announced that Presence Health based in Chicago, Illinois has selected the Company to provide its end-to-end RCM services across the Presence Health system's acute care hospitals and physician care settings. R1 and Presence Health signed a non-binding term sheet, with the expectation of completing negotiations on a definitive agreement and going live with service in the second quarter of 2018.

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger by and among Intermedix Holdings, Inc., R1 RCM Inc., Project Links Parent, Inc., Project Links Merger Sub, Inc. and solely in its capacity as Securityholder Representative, Thomas H. Lee Equity Fund VI, L.P. dated as of February 23, 2018 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K (file No. 001-34746) filed on February 26, 2018) (Exhibits and schedules were omitted pursuant to Item 601(b)(2) of Regulation S-K and will be furnished to the Securities and Exchange Commission upon request)
3.1	Restated Certificate of Incorporation of the Registrant, as amended (incorporated by reference to Exhibit 3.2 to Amendment No. 4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on April 26, 2010)
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.4 to Amendment No. 4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on April 26, 2010)
3.3	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-34746) filed on August 20, 2015)
3.4	Amendment No.1 to the Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-34746) filed on August 20, 2015)
3.5	Certificate of Designations of the Registrant's 8.00% Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.5 to Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-34746) filed on March 10, 2016)
3.6	Certificate of Amendment to Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (file No. 001-34746) filed on January 5, 2017)
3.7	Certificate of Amendment to Certificate of Designation of 8.00% Series A Convertible Preferred Stock, Par Value $0.01 per Share, of the Company (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K (file No. 001-34746) filed on January 5, 2017)
3.8	Amendment No. 2 to the Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K (file No. 001-34746) filed on January 5, 2017)
4.1	Specimen Certificate evidencing shares of Common Stock (incorporated by reference to Exhibit 4.1 to Amendment No. 4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on April 26, 2010)
10.1*	Amended and Restated Stock Option Plan, as amended (incorporated by reference to Exhibit 10.1 to Amendment No. 4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on April 26, 2010)
10.2*	Form of Acknowledgment of Grant, used to evidence option grants under the Amended and Restated Stock Option Plan (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-1 (File No. 333-162186) filed on September 29, 2009)
10.3*	Restricted Stock Plan, as amended (incorporated by reference to Exhibit 10.3 to Amendment No. 4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on April 26, 2010)
10.4*	Form of Restricted Stock Award Agreement under the Restricted Stock Plan, as amended (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on September 29, 2009)
10.5*	Form of Indemnification Agreement, entered into between the Registrant and each director and executive officer (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K (File No. 001-34746) filed on February 16, 2016)
10.6*	Form of Incentive Stock Option Agreement under the 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.24 to Amendment No. 4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on April 26, 2010)

10.7*	Form of Restricted Stock Unit Grant Agreement under the Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 001-34746) filed on November 2, 2016)
10.8*	Form of Performance Based Restricted Stock Unit Grant Agreement under the Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 001-34746) filed on November 2, 2016)
10.9*	Form of Nonstatutory Stock Option Agreement under the Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 001-34746) filed on November 2, 2016)
10.10*	Accretive Health, Inc. Second Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (file No. 001-34746) filed on December 12, 2016)
10.11*	Form of Grant of Performance Based Restricted Stock Unit Awards pursuant to the Second Amended and Restated 2010 Stock Incentive Plan (to be used for awards to a senior vice president or executive vice president) (incorporated by reference to Exhibit 10.2 to the Quarterly Report on 10-Q (file No. 001-34746) filed on October 31, 2017)
10.12*	Form of Grant of Performance Based Restricted Stock Unit Awards pursuant to the Second Amended and Restated 2010 Stock Incentive Plan (to be used for awards to a vice president or director-level employee) (incorporated by reference to Exhibit 10.3 to the Quarterly Report on 10-Q (file No. 001-34746) filed on October 31, 2017)
10.13*	Form of Letter Agreement (to be used for executive vice presidents) (incorporated by reference to Exhibit 10.4 to the Quarterly Report on 10-Q (file No. 001-34746) filed on October 31, 2017)
10.14	Third Amended and Restated Stockholders' Agreement, dated as of February 22, 2009, among the Registrant and the parties named therein, as amended (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-1 (File No. 333-172707) filed on March 9, 2011)
10.15	Form of Share Exchange Agreement, entered into in February 2009, with each of Etienne H. Deffarges, Steven N. Kaplan, Gregory N. Kazarian, The Shultz 1989 Family Trust, Spiegel Family LLC and John T. Staton Declaration of Trust (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-1 (File No. 333-162186) filed on September 29, 2009)
10.16*	Form of Nonstatutory Stock Option Agreement under the 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.25 to Amendment No. 4 to the Registration Statement on Form S-1 (File No. 333-162186) filed on April 26, 2010)
10.17+	Amended and Restated Master Professional Services Agreement by and between Ascension Health and the Registrant effective as of February 16, 2016 (incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (File No. 001-34746) filed on May 10, 2016)
10.18+	Amendment No. 1 to the Amended and Restated Master Professional Services Agreement by and between the Company and Ascension Health, dated May 4, 2017 (incorporated by reference to Exhibit 10.1 to Quarterly Report on 10-Q for the quarter ended June 30, 2017 (File No. 001-34746) filed on August 2, 2017)
10.19*	Employment Agreement, dated April 2, 2013, between Registrant and Stephen F. Schuckenbrock (incorporated by reference to Exhibit 10.16 to Annual Report on Form 10-K filed for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.20*	Stock Option Agreement, dated April 3, 2013, between Registrant and Stephen F. Schuckenbrock (incorporated by reference to Exhibit 10.17 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.21*	Offer Letter, dated April 27, 2013, between Registrant and Joseph Flanagan (incorporated by reference to Exhibit 10.18 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.22*	Restricted Stock Award, dated June 3, 2013, between Registrant and Joseph Flanagan (incorporated by reference to Exhibit 10.19 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File

	No. 001-34746) filed on December 30, 2014)
10.23*	Nonstatutory Stock Option Award Agreement, dated June 3, 2013, between Registrant and Joseph Flanagan (incorporated by reference to Exhibit 10.20 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)

10.24*	Amendment to Offer Letter, dated April 29, 2014, between Registrant and Joseph Flanagan (incorporated by reference to Exhibit 10.25 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.25*	Nonstatutory Stock Option Award Agreement, dated April 29, 2014, between Registrant and Joseph Flanagan (incorporated by reference to Exhibit 10.26 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.26*	Restricted Stock Award Agreement, dated April 29, 2014, between Registrant and Joseph Flanagan (incorporated by reference to Exhibit 10.27 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.27*	Offer Letter, dated July 10, 2014, between Registrant and Emad Rizk (incorporated by reference to Exhibit 10.29 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.28*	Nonstatutory Stock Option Award Agreement, dated July 21, 2014, between Registrant and Emad Rizk (incorporated by reference to Exhibit 10.30 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.29*	Restricted Stock Award Agreement, dated July 21, 2014, between Registrant and Emad Rizk (incorporated by reference to Exhibit 10.31 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.30*	Offer Letter, dated August 6, 2014, between Registrant and Peter Csapo (incorporated by reference to Exhibit 10.33 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.31*	Nonstatutory Stock Option Award Agreement, dated August 12, 2014, between Registrant and Peter Csapo (incorporated by reference to Exhibit 10.34 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.32*	Restricted Stock Award Agreement, dated August 12, 2014, between Registrant and Peter Csapo (incorporated by reference to Exhibit 10.35 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.33*	Chairman Services Agreement, dated November 14, 2014, between Registrant and Steve Shulman (incorporated by reference to Exhibit 10.36 to Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (File No. 001-34746) filed on December 30, 2014)
10.34*	Offer Letter, dated January 9, 2015, between Registrant and Richard Evans (incorporated by reference to Exhibit 10.37 to Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (File No. 001-34746) filed on June 23, 2015)
10.35*	Omnibus Amendment, dated May 18, 2015, to Employment Agreement dated April 2, 2013 between Registrant and Stephen F. Schuckenbrock and Stock Option Agreement, dated April 3, 2013, between Registrant and Stephen F. Schuckenbrock (incorporated by reference to Exhibit 10.38 to Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (File No. 001-34746) filed on June 23, 2015)
10.36*	Form of Restricted Stock Award Agreement under the Amended and Restated 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.43 to Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (File No. 001-34746) filed on March 10, 2016.
10.37*	Amendment to Retention and Severance Bonus Agreement, dated October 19, 2015, between Registrant and Emad Rizk (incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 (File No. 001-34746) filed on November 9, 2015)
10.38*	Letter Agreement, dated December 7, 2015, between Registrant and Emad Rizk (incorporated by reference to Exhibit 10.45 to Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-34746) filed on March 10, 2016)
10.39*	Letter Agreement, dated December 7, 2015, between Registrant and Joseph Flanagan (incorporated by reference to Exhibit 10.46 to Annual Report on Form 10-K for the year ended December 31, 2015 (File No.

	001-34746) filed on March 10, 2016)
10.40*	Restricted Stock Award Agreement, dated December 31, 2015, between Registrant and Peter Csapo (incorporated by reference to Exhibit 10.47 to Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-34746) filed on March 10, 2016)

10.41*	Restricted Stock Award Agreement, dated December 31, 2015, between Registrant and Joseph Flanagan (incorporated by reference to Exhibit 10.48 to Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-34746) filed on March 10, 2016)
10.42*	Restricted Stock Award Agreement, dated December 31, 2015, between Registrant and Emad Rizk (incorporated by reference to Exhibit 10.49 to Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-34746) filed on March 10, 2016)
10.43	Securities Purchase Agreement, dated as of December 7, 2015, by and among Accretive Health, Inc., TCP-ASC ACHI Series LLLP, and, solely for the purposes set forth therein, Ascension Health Alliance d/b/a Ascension (incorporated by reference to Exhibit 10.1 to Current Report on 8-K (File No. 001-34746) filed December 8, 2015).
10.44	Investor Rights Agreement, dated as of February 16, 2016, by and among the Registrant, TCP-ASC ACHI Series LLLP, and the other parties thereto (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (File No. 001-34746) filed on May 10, 2016)
10.45	Registration Rights Agreement, dated as of February 16, 2016, by and between the Registrant and TCP-ASC ACHI Series LLLP (incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (File No. 001-34746) filed on May 10, 2016)
10.46	Warrant, dated as of February 16, 2016, by and between the Registrant and TCP-ASC ACHI Series LLLP (incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (File No. 001-34746) filed on May 10, 2016)
10.47*	Transition, Separation and General Release Agreement, dated April 25, 2016, by and between the Registrant and Peter Csapo (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-34746) filed on April 25, 2016)
10.48*	General Release and Mutual Non-Disparagement Agreement, dated May 25, 2016, by and between the Registrant and Emad Rizk (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (file No. 001-34746) filed on May 26, 2016)
10.49	Agreement by and between TCP-ASC ACHI Series LLLP and the Registrant dated September 9, 2016 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (file No. 001-34746) filed on September 9, 2016)
10.50*	Non-Statutory Stock Option Award Grant Agreement, dated as of October 3, 2016, by and between Christopher Ricaurte and the Registrant (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (file No. 001-34746) filed on October 5, 2016)
10.51*	Non-Statutory Stock Option Award Grant Agreement, dated as of October 3, 2016, by and between Christopher Ricaurte and the Registrant (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (file No. 001-34746) filed on October 5, 2016)
10.52*	Non-Statutory Stock Option Award Grant Agreement, dated as of October 3, 2016, by and between Joseph G. Flanagan and the Registrant (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (file No. 001-34746) filed on October 5, 2016)
10.53*	Non-Statutory Stock Option Award Grant Agreement, dated as of October 3, 2016, by and between Joseph G. Flanagan and the Registrant (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K (file No. 001-34746) filed on October 5, 2016)
10.54*	Employment Offer Letter Agreement by and between the Registrant and Thomas A. Lesica (incorporated by reference to Exhibit 10.1 to the Quarterly Report on 10-Q (file No. 001-34746) filed on October 31, 2017)
10.55*	Employment Offer Letter Agreement by and between the Registrant and Gary Long.
10.56*	Amended and Restated Grant of Performance Based Awards pursuant to the R1 RCM Inc. Second Amended and Restated 2010 Stock Incentive Plan to Joseph Flanagan (incorporated by reference to Exhibit 10.1 to the Current Report on 8-K/A (file No. 001-34746) filed on January 18, 2018)
10.57*	Amended and Restated Grant of Performance Based Awards pursuant to the R1 RCM Inc. Second Amended and Restated 2010 Stock Incentive Plan to Christopher Ricaurte (incorporated by reference to Exhibit 10.2 to

	the Current Report on 8-K/A (file No. 001-34746) filed on January 18, 2018)
10.58*	Amended and Restated Grant of Performance Based Awards pursuant to the R1 RCM Inc. Second Amended and Restated 2010 Stock Incentive Plan to Steven Shulman (incorporated by reference to Exhibit 10.3 to the Current Report on 8-K/A (file No. 001-34746) filed on January 18, 2018)

10.59	Amended and Restated Registration Rights Agreement among the Registrant, IHC Health Services, Inc. and TCP-ASC ACHI Series LLLP dated as of January 23, 2018 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (file No. 001-34746) filed on January 24, 2018)
10.60	Securities Purchase Agreement between the Company and IHC Health Services, Inc. dated as of January 23, 2018 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (file No. 001-34746) filed on January 24, 2018)
10.61	Warrant between the Company and IHC Health Services, Inc. dated as of January 23, 2018 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (file No. 001-34746) filed on January 24, 2018)
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to Amendment No. 4 to the Registration Statement on Form S-1 filed on April 26, 2010)
23.1	Consent of Ernst & Young LLP
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from the R1 RCM Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017, formatted in eXtensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) the Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) related notes.

* Management contract or compensatory plan or arrangement required to be filed pursuant to Item 15(b) of Form 10-K.

\+ Confidential treatment requested as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.